

**CITY OF HARRAHAN, LOUISIANA**

General Purpose Financial Statements and Schedules

December 31, 2002  
(with comparative totals for December 31, 2001)

With Independent Auditors' Report Thereon

# CITY OF HARAHAN, LOUISIANA

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## Postlethwaite & Netterville

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### Independent Auditors' Report

The Honorable Mayor and City Council  
City of Harahan, Louisiana:

We have audited the general purpose financial statements of the City of Harahan, Louisiana, as of and for the year ended December 31, 2002, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Harahan, Louisiana, as of December 31, 2002, and the results of its operations and the cash flows of its of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2003 on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Harahan, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements, taken as a whole.

Metairie, Louisiana  
May 6, 2003

**CITY OF HARAHAN, LOUISIANA**

**Combined Balance Sheet - All Fund Types and Account Groups**

December 31, 2002  
(with comparative totals for December 31, 2001)

	Governmental Fund Types				Proprietary Fund Type		Account Groups			Totals	
	General	Special Revenue Fund	Debt Service	Capital Projects	Enterprise		General Fixed Assets	Long-term Debt	(Memorandum Only) 2002	2001	
<b>Assets</b>											
Cash (note 3)	\$ 756,816	14	328,628	87,065	493		-	-	1,173,016	1,405,123	
Receivables:											
Sewerage fees	-	-	-	-	16,194		-	-	16,194	9,941	
Other	259,697	200,985	139,118	-	-		-	-	599,800	325,552	
Due from other funds (note 8)	327,449	-	-	25,651	-		-	-	353,100	196,863	
Prepaid insurance	89,680	-	-	-	-		-	-	89,680	27,400	
Property, plant and equipment - net where applicable of accumulated depreciation (note 5)	-	-	-	-	3,158,429		3,446,993	-	6,605,422	6,676,595	
Amount available in debt service fund	-	-	-	-	-		-	341,295	341,295	287,735	
Amount to be provided for general obligation debt	-	-	-	-	-		-	3,599,091	3,599,091	3,819,916	
	\$ 1,433,642	200,999	467,746	112,716	3,175,116		3,446,993	3,940,386	12,777,598	12,749,125	
<b>Liabilities and Fund Equity</b>											
<b>Liabilities:</b>											
<b>Payables:</b>											
Trade and other	262,605	-	-	1,198	225,487		-	-	489,290	412,739	
Payroll taxes and other	8,518	-	-	-	-		-	-	8,518	34,742	
Accrued salaries	142,908	-	-	-	-		-	-	142,908	79,210	
Accrued vacation pay and compensation time	219,976	-	-	-	-		-	-	219,976	213,048	
Deferred revenue	518,477	-	-	-	-		-	-	518,477	542,696	
Due to other funds (note 8)	25,651	200,985	126,451	-	13		-	-	353,100	196,863	
Capital leases payable (note 6)	-	-	-	-	-		-	400,386	400,386	482,651	
Loan payable (note 6)	-	-	-	-	350,000		-	-	350,000	400,000	
General obligation bonds (note 6)	-	-	-	-	-		-	3,540,000	3,540,000	3,625,000	
<b>Total liabilities</b>	1,178,135	200,985	126,451	1,198	575,500		-	3,940,386	6,022,655	5,986,949	
Contingencies (Note 11)	-	-	-	-	-		-	-	-	-	
<b>Fund equity:</b>											
Investment in general fixed assets	-	-	-	-	-		3,446,993	-	3,446,993	3,413,063	
Contributed capital (notes 7 and 10)	-	-	-	-	2,419,484		-	-	2,419,484	2,503,145	
Retained earnings - unreserved	-	-	-	-	180,132		-	-	180,132	168,087	
<b>Fund balance:</b>											
Reserved for debt service	-	-	341,295	-	-		-	-	341,295	287,735	
Reserved for prepaid insurance	89,680	-	-	-	-		-	-	89,680	27,400	
<b>Unreserved:</b>											
Designated - capital projects	-	-	-	111,518	-		-	-	111,518	246,014	
Undesignated	165,827	14	-	-	-		-	-	165,841	116,732	
<b>Total retained earnings and fund balance</b>	255,507	14	341,295	111,518	180,132		-	-	888,466	6,762,176	
<b>Total fund equity</b>	255,507	14	341,295	111,518	2,599,616		3,446,993	-	6,754,943	6,762,176	
	\$ 1,433,642	200,999	467,746	112,716	3,175,116		3,446,993	3,940,386	12,777,598	12,749,125	

See accompanying notes to general purpose financial statements.

**CITY OF HARAHAN, LOUISIANA**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances -  
All Governmental Fund Types**

Year ended December 31, 2002  
(with comparative totals for December 31, 2001)

	Governmental Fund Types				Totals	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)	
					2002	2001
<b>Revenues:</b>						
Taxes	\$ 685,292	1,390,457	-	-	2,075,749	1,927,397
Licenses and permits	762,275	-	-	-	762,275	751,622
Intergovernmental	530,562	-	-	-	530,562	479,683
Charges for services	574,606	-	-	-	574,606	557,170
Fines and forfeits	253,417	-	-	-	253,417	306,325
Gaming revenue	141,979	-	-	-	141,979	138,122
Interest income	13,690	111	4,960	2,973	21,734	67,361
Miscellaneous	112,032	-	-	-	112,032	77,613
Total revenues	3,073,853	1,390,568	4,960	2,973	4,472,354	4,305,293
<b>Expenditures:</b>						
Current:						
General government/non-departmental	768,318	-	-	-	768,318	768,055
Public safety - police	1,377,658	-	-	-	1,377,658	1,287,949
Public safety - fire	698,057	-	-	-	698,057	715,573
Highways and streets	187,252	-	-	-	187,252	199,728
Sanitation	578,355	-	-	-	578,355	561,425
Recreation	267,476	-	-	-	267,476	211,540
Debt service (note 6):	-	-	85,000	-	85,000	80,000
Redemption of bonds	-	-	205,146	-	205,146	208,817
Interest and fiscal charges	-	-	-	206,639	206,639	309,366
Capital outlay	-	-	-	-	-	-
Total expenditures	3,877,116	-	290,146	206,639	4,373,901	4,342,453
Excess (deficiency) of revenues over expenditures	(803,263)	1,390,568	(285,186)	(203,666)	98,453	(37,160)
Other financing sources (uses):						
Operating transfers in	1,051,899	49	338,746	137,170	1,527,864	1,399,525
Operating transfers out	(137,170)	(1,390,694)	-	(68,000)	(1,595,864)	(1,399,525)
Total other financing sources (uses)	914,729	(1,390,645)	338,746	69,170	(68,000)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	111,466	(77)	53,560	(134,496)	30,453	(37,160)
Fund balances at beginning of year	144,041	91	287,735	246,014	677,881	715,041
Fund balances at end of year	\$ 255,507	14	341,295	111,518	708,334	677,881

See accompanying notes to general purpose financial statements.

# CITY OF HARAHAN, LOUISIANA

## Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and Special Revenue Fund - GAAP Basis

Year ended December 31, 2002

	General Fund		Special Revenue-Sales Tax Fund		Variance -
	Revised Budget	Actual	Revised Budget	Actual	Favorable (Unfavorable)
Revenues:					
Taxes	\$ 665,209	685,292	741,030	1,390,457	649,427
Licenses and permits	708,500	762,275	-	-	-
Intergovernmental	272,747	530,562	-	-	-
Charges for services	550,500	574,606	-	-	-
Fines and forfeits	246,000	253,417	-	-	-
Interest, gaming revenue and miscellaneous income	204,750	267,701	-	111	111
Total revenues	2,647,706	3,073,853	741,030	1,390,568	649,538
Expenditures:					
General government/non-departmental	717,071	768,318	-	-	-
Public safety - police	992,101	1,377,658	-	-	-
Public safety - fire	648,137	698,057	-	-	-
Highways and streets	157,219	187,252	-	-	-
Sanitation	553,000	578,355	-	-	-
Recreation	191,209	267,476	-	-	-
Total expenditures	3,258,737	3,877,116	-	-	-
Excess (deficiency) of revenues over expenditures	(611,031)	(803,263)	741,030	1,390,568	649,538
Other financing sources:					
Operating transfers in	741,031	1,051,899	-	49	49
Operating transfers out	(130,000)	(137,170)	(741,030)	(1,390,694)	(649,664)
Total other financing sources	611,031	914,729	(741,030)	(1,390,645)	(649,615)
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	111,466	-	(77)	(77)
Fund balances at beginning of year	144,041	144,041	91	91	-
Fund balances at end of year	\$ 144,041	255,507	91	14	(77)

See accompanying notes to general purpose financial statements.

# CITY OF HARRAHAN, LOUISIANA

## Statements of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type - Enterprise Fund

Years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Operating revenues:		
Charges for services	\$ 372,221	373,032
Total operating revenues	<u>372,221</u>	<u>373,032</u>
Operating expenses:		
Contractual services	336,744	320,709
Supplies, maintenance and repairs	119,434	325,603
Depreciation	<u>105,103</u>	<u>105,103</u>
Total operating expenses	<u>561,281</u>	<u>751,415</u>
Operating loss	(189,060)	(378,383)
Non-operating revenue:		
Property taxes	48,981	47,394
Interest income	<u>463</u>	<u>2,810</u>
Loss before transfers in	(139,616)	(328,179)
Transfers in	<u>68,000</u>	<u>-</u>
Net loss	(71,616)	(328,179)
Add depreciation on contributed fixed assets (note 10)	<u>83,661</u>	<u>80,995</u>
Increase (decrease) in retained earnings	12,045	(247,184)
Retained earnings at beginning of year	<u>168,087</u>	<u>415,271</u>
Retained earnings at end of year	\$ <u><u>180,132</u></u>	<u><u>168,087</u></u>

See accompanying notes to general purpose financial statements.

# CITY OF HARRAHAN, LOUISIANA

## Statements of Cash Flows - Proprietary Fund Type - Enterprise Fund

Years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Cash received from customers	\$ 365,968	381,938
Cash paid to suppliers of goods or services	<u>(437,223)</u>	<u>(395,944)</u>
Net cash used in operating activities	<u>(71,255)</u>	<u>(14,006)</u>
Cash flows from investing activities:		
Interest received	<u>463</u>	<u>2,809</u>
Net cash provided by investing activities	<u>463</u>	<u>2,809</u>
Cash flows from capital related financing activities:		
Payment on loan	<u>(50,000)</u>	<u>(50,000)</u>
Net cash used in capital financing activities	<u>(50,000)</u>	<u>(50,000)</u>
Cash flows from non-capital financing activities:		
Taxes received	48,981	47,394
Transfer in from general fund	<u>68,000</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>116,981</u>	<u>47,394</u>
Net decrease in cash	(3,811)	(13,803)
Cash at beginning of year	<u>4,304</u>	<u>18,107</u>
Cash at end of year	\$ <u><u>493</u></u>	<u><u>4,304</u></u>

The reconciliation of operating loss to net cash used in operating activities for the years ended December 31, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Operating loss	\$ <u>(189,060)</u>	<u>(378,383)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	105,103	105,103
Decrease (increase) in accounts receivable	(6,253)	8,906
Decrease in due from other funds	20,021	44,207
Increase (decrease) in accounts payable and accrued expenses	<u>(1,066)</u>	<u>206,161</u>
Net cash used in operating activities	\$ <u><u>(71,255)</u></u>	<u><u>(14,006)</u></u>

See accompanying notes to general purpose financial statements.

# **CITY OF HARRAHAN, LOUISIANA**

## **Notes to General Purpose Financial Statements**

December 31, 2002

### **(1) Summary of Significant Accounting Policies**

The City of Harahan, Louisiana (the City) was incorporated under the provisions of the State of Louisiana Lawrason Act in 1920 as a village with a population then of 500 people and an area of 2.1 square miles. It was classified as a city in 1953 with a population of over 10,000 people. The City's current population is approximately 9,885 people.

The City's financial statements include the accounts of all City operations. The City's operations include police and fire protection, waste collection, parks, recreation, public works and general administrative services. In addition, the City owns and operates a local sewer system.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

#### **(a) *Reporting Entity***

The City's general purpose financial statements include operations of all activities over which the City exercises oversight responsibility. Oversight responsibility is demonstrated through financial interdependency, selection of governing authority, ability to significantly influence operations, and accountability for fiscal matters and, as such, the City is a reporting entity.

For financial reporting purposes, the City includes all funds and account groups that are controlled by or dependent on the Mayor and the City's Council.

#### **(b) *Basis of Presentation - Fund Accounting***

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The operations of the City are recorded in the following fund types and account groups:

##### **Governmental Fund Types**

Governmental funds are used to account for the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The measurement focus is based upon the determination of changes in financial position. The following are the City's governmental fund types.

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

## CITY OF HARAHAN, LOUISIANA

### Notes to General Purpose Financial Statements

December 31, 2002

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Currently, sales tax proceeds flow through the special revenue fund, first to meet debt service requirements and then to the general fund.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by *Proprietary Funds*).

#### Proprietary Fund Type

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is based upon the determination of net income and capital maintenance. The City's sole proprietary fund is Sewerage District No. 1 (the District), an enterprise fund.

Enterprise Fund - This fund is used to account for operations of the District where: (a) it is financed and operated in a manner similar to a private business enterprise, and (b) the periodic determination of net income is appropriate.

#### Account Groups

General Fixed Assets Account Group - This account group is used to account for all fixed assets of the City, other than those accounted for in the City's proprietary fund, the District.

General Long-Term Debt Account Group - This account group is used to account for all long-term obligations of the City except those accounted for in the City's proprietary fund, the District.

#### (c) *Basis of Accounting*

Basis of accounting refers to the timing of when revenues and expenditures or expenses are recognized in the accounts and reported in the accompanying general purpose financial statements.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the general purpose balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Specifically, governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized as a liability when incurred. Principal and interest on general long-term debt is recognized when due.

# CITY OF HARRAHAN, LOUISIANA

## Notes to General Purpose Financial Statements

December 31, 2002

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the accompanying general purpose balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The City's proprietary fund, the District, is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Based on historical collection experience, no allowance for estimated uncollectible receivables is recorded.

The City's proprietary fund applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

Property taxes are recognized as revenue in the year for which taxes have been levied and collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned.

### **(d) Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded, is employed by the General Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. As materials are subsequently received and construction contracts are executed, liabilities are recorded and the related encumbrances are liquidated.

### **(e) Cash**

Cash includes amounts on hand and on deposit at financial institutions.

### **(f) General Fixed Assets**

General fixed assets are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed assets account group. Certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized. Such assets are normally immovable and of value only to the City. Contributed fixed assets are recorded at their estimated fair values at the time received.

Depreciation is not provided on general fixed assets. Asset acquisitions with a cost greater than \$1,000 are included in the general fixed assets account group.

### **(g) Property, Plant and Equipment - Proprietary Fund**

Property, plant and equipment used by the proprietary fund is stated at cost. Contributed assets are recorded at fair market value at the time received. Net interest costs are capitalized on projects during the construction period. Depreciation is provided using the straight-line method

# **CITY OF HARRAHAN, LOUISIANA**

## **Notes to General Purpose Financial Statements**

December 31, 2002

over the estimated useful lives. Depreciation on assets acquired through contributions is charged to contribute capital.

**(h) *Accrued Vacation***

The City's policy permits employees to accumulate a limited amount of earned but unused vacation benefits. Benefits are accrued in the period they are earned. Accumulation of vacation time is dependent upon the number of pay periods an employee works, and their length of employment. For all employees below 5 years of employment, the City allows a 1/2 day of vacation time per pay period (2 weeks). For employees between 5 and 10 years of employment, the City allows 5/8 day of vacation time per pay period. For employees with over 10 years of employment, 3/4 day of vacation time per pay period is earned. Earned vacation time may be carried forward, not to exceed 90 days of earned vacation time. Accrued vacation pay is recorded in the general fund.

**(i) *Fund Equity***

Reserved fund balance and retained earnings indicate that a portion of fund equity legally is segregated for specific purposes. Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

**(j) *Total Columns***

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(k) *Comparative Data***

Comparative total data for the prior year have been presented in the general purpose financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**(l) *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

**(2) *Budgetary Procedures and Budgetary Accounting***

The City's procedures in establishing the budgetary data included in the general purpose financial statements are as follows:

# CITY OF HARRAHAN, LOUISIANA

## Notes to General Purpose Financial Statements

December 31, 2002

- (1) Prior to December 1, the Mayor submits to the City's Council a proposed operating line item budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to January 1, the budget is legally adopted through passage of an appropriation ordinance by the Council.
- (4) The City Council must approve transfers of budgeted amounts between line items within a department and any revisions that alter the total expenditures of any fund or department.
- (5) Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Project-length financial plans are adopted for the Capital Project Funds and are used as an expenditure control device.
- (6) The budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). All unencumbered and unexpended appropriations lapse at year end.
- (7) As required by state law, when actual revenues within a fund are failing to meet estimated annual budgeted revenue by five percent or more, and/or actual expenditures within a fund are exceeding estimated budgeted expenditures by five percent or more, a budget amendment to reflect such changes is adopted in an open meeting.

### (3) Cash

At December 31, 2002, the City has \$1,342,109 in demand deposits at two local banks.

At December 31, 2002, cash is entirely insured or collateralized with securities held by a mutually acceptable third-party financial institution in the City's name, which is the lowest credit risk as defined by the Governmental Accounting Standards Board. The bank balances and collateralization for deposit at December 31, 2002 are as follows:

Total bank balances	\$ <u>1,342,109</u>
Federal deposit insurance	104,418
Pledged securities	<u>1,459,024</u>
Total collateral	\$ <u>1,563,442</u>
Excess collateral	\$ <u>221,333</u>

Louisiana Revised Statutes authorize the City to invest in United States bonds, treasury notes, certificates or other obligations of the United States of America, or time certificates of deposit of state banks organized under Louisiana laws and national banks having principal offices in the State.

# CITY OF HARRAHAN, LOUISIANA

## Notes to General Purpose Financial Statements

December 31, 2002

### (4) Property Tax

Property taxes on real and personal property are levied by the City as an enforceable lien on the property as of January 1; the taxes are payable on December 1, and are delinquent on January 1.

The assessed value of the property is determined by the Jefferson Parish assessor's office. The assessed value at January 1, 2002, upon which the 2002 levies were based, was \$50,549,100. The combined 2002 tax rate was \$14.72 per \$1,000 of assessed valuation. Of this amount, \$13.71 was available for general operations and \$1.01 was available for sewerage operations and maintenance.

### (5) Property, Plant and Equipment

A summary of changes in general fixed assets is as follows:

	<u>January 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2002</u>
Land, land improvement and buildings	\$ 1,429,346	6,052	-	1,435,398
Transportation equipment	1,336,901	-	-	1,336,901
Other equipment	551,308	27,878	-	579,186
Furniture and fixtures	25,253	-	-	25,253
Computer equipment	70,255	-	-	70,255
	<u>\$ 3,413,063</u>	<u>33,930</u>	<u>-</u>	<u>3,446,993</u>

A summary of changes in proprietary fund type property, plant and equipment is as follows:

	<u>January 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2002</u>
Land	\$ 7,121	-	-	7,121
Rights of way	6,606	-	-	6,606
Sewerage collection system	3,858,719	-	-	3,858,719
Sewerage treatment plant	1,090,632	-	-	1,090,632
Vehicles	26,230	-	-	26,230
Total asset cost	4,989,308	-	-	4,989,308
Less: Accumulated depreciation	1,725,776	105,103	-	1,830,879
Net assets	<u>\$ 3,263,532</u>	<u>105,103</u>	<u>-</u>	<u>3,158,429</u>

Proprietary fund type fixed assets are depreciated using the following useful lives: sewer collection system – 20-75 years, sewer treatment plant – 10-50 years, and vehicles – 5 years.

# CITY OF HARRAHAN, LOUISIANA

## Notes to General Purpose Financial Statements

December 31, 2002

### (6) General Obligation Bonds, Capital Leases, and Loan Payable

#### a) General Obligation Bonds

The following is a summary of general obligation bond changes:

	<u>January 1, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2002</u>
General Long-Term Debt 1999 Sales Tax Refunding Bonds	\$ 3,625,000	-	85,000	3,540,000

The City is subject to the Municipal Finance Law of the State of Louisiana, which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the City may have outstanding to 10 percent of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of December 31, 2002 is \$5,054,910.

Sales tax refunding and improvement bonds, payable at December 31, 2002, are comprised of the following:

\$3,750,000 1999 Sales Tax Refunding and Public Improvement Bonds due in monthly installments ranging from \$90,000 to \$275,000 including interest through June 1, 2024, at various interest rates	<u>\$ 3,540,000</u>
--	---------------------

The annual requirements to amortize all debt outstanding as of December 31, 2002, including interest payments of \$2,762,921 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
July 15, 2003	\$ 90,000	200,608	290,608
2004	95,000	196,259	291,259
2005	95,000	191,699	286,699
2006	100,000	186,920	286,920
2007	105,000	181,820	286,820
2008-2012	625,000	818,115	1,443,115
2013-2017	810,000	617,535	1,427,535
2018-2022	1,085,000	336,873	1,421,873
2023-2024	535,000	33,092	568,092
	<u>\$ 3,540,000</u>	<u>2,762,921</u>	<u>6,302,921</u>

# CITY OF HARAHAN, LOUISIANA

## Notes to General Purpose Financial Statements

December 31, 2002

The indentures under which these bonds were issued provide for the establishment of debt service funds:

Commencing January 2001, a sum equal to the pro-rata amount of the interest falling due on the 1999 bonds on the next interest payment date and the pro-rata amount of the principle of the 1999 bonds falling due on the next principal payment date, together with any such additional proportionate sum as may be required to pay said principle and interest, shall be transferred from the Sales Tax Fund, monthly to the Sales Tax Bond Sinking Fund.

The City is in compliance with this debt covenant at December 31, 2002.

### b) Capital Leases

During 1998, the City entered into a capital lease for the purchase of police cars with principal payments beginning in 1999. Included in public safety police are principal payments of \$42,746 and interest payments of \$4,208 that were paid during 2002. Lease terms, at an interest rate of 5.8%, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
January 1,			
2003	\$ 45,293	1,661	46,954
2004	3,894	19	3,913
	<u>\$ 49,187</u>	<u>1,680</u>	<u>50,867</u>

During 2000, the City entered into a capital lease for the purchase of a fire truck with principal payments beginning in July 2000. Included in public safety fire expense are principal payments of \$39,519 and interest payments of \$23,326 that were paid during 2002. This capital lease is secured by a security interest in the fire truck. Lease terms, at an interest rate of 5.97%, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
July 15,			
2003	\$ 41,878	20,967	62,845
2004	44,379	18,466	62,845
2005	47,028	15,817	62,845
2006	49,835	13,010	62,845
2007	52,811	10,034	62,845
2008-2009	115,268	10,422	125,690
	<u>\$ 351,199</u>	<u>88,716</u>	<u>439,915</u>

Total principal payable for both capital leases as of December 31, 2002 was \$400,386.

# CITY OF HARRAHAN, LOUISIANA

## Notes to General Purpose Financial Statements

December 31, 2002

### c) Enterprise Fund Loan Payable

During 2000, the City entered into a long-term agreement with the management company administering the Sewer Fund to provide for capital and maintenance improvements. In return, the City committed the Sewer Fund to repay a maximum of \$500,000 to the management company without any stated interest. Construction services provided as of December 31, 2002 totaled \$500,000. Principal payments of \$50,000 were made during the year ended December 31, 2002. As of December 31, 2002, the total payments due under this agreement, including imputed interest, were \$350,000, payable in installments of \$50,000 annually through 2009.

### (7) **Equity**

Designated Fund Balance - Capital Projects - This amount has been designated for future capital improvements.

Contributed Capital - City of Harahan - This amount includes contributions by the City, property owners and federal grantors to the District less previously accumulated depreciation on the related improvements.

### (8) **Interfund Balances**

Individual fund interfund receivable and payable balances as of December 31, 2002 were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ 327,449	25,651
Special Revenue Fund	-	200,985
Debt Service Fund	-	126,451
Capital Projects Fund	25,651	-
Enterprise Fund - Sewerage District	-	13
	<u>\$ 353,100</u>	<u>353,100</u>

## CITY OF HARAHAN, LOUISIANA

### Notes to General Purpose Financial Statements

December 31, 2002

#### (9) Pension Plans

##### a.) Municipal Police Employees' Retirement Plan

###### Plan Description

The City contributes for police personnel to the Municipal Police Employee' Retirement Plan, a cost sharing multi-employer defined benefit plan administered by Municipal Police Employees' Retirement System (MPERS). MPERS provides retirement, death, and disability benefits to plan members and beneficiaries in accordance with state statutes. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Municipal Police Employees' Retirement System, 8550 United Plaza Boulevard, Suite 501, Baton Rouge, LA 70809-200.

###### Funding Policy

Plan members are required to contribute 7.5% of the annual covered salary and the City is required to contribute 9.0%. The contribution requirements of the plan members and the City are established and may be amended by the MPERS Board of Trustees in accordance with state statute. The City's contribution for the years ended December 31, 2002, 2001, and 2000 were \$48,459, \$53,593, and \$56,550, respectively, equal to the required contributions for each year.

##### b.) Louisiana Firefighters' Retirement Plan

###### Plan Description

The City contributes for firefighting personnel, to the Louisiana Firefighters' Retirement Plan, a cost sharing multiple employer defined benefit plan administered by the Louisiana Firefighters' Retirement System (LFRS). LFRS provides retirement, death, and disability benefits in accordance with state statutes. LFRS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Louisiana Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana, 70809.

###### Funding Policy

Plan members are required to contribute 8.0% of the annual salary and the City is required to contribute 9.0%. Effective December 1, 2002, the City is required to contribute 18.25%. The contribution requirements of the plan members and the City are established and may be amended by LFRS Board of Trustees in accordance with state statute. The City's contributions for the years ended December 31, 2002, 2001, and 2000 were \$16,976, \$13,794, and \$14,436, respectively, equal to the required contributions for each year.

*Other City employees are not covered by a pension plan.*

# CITY OF HARRAHAN, LOUISIANA

## Notes to General Purpose Financial Statements

December 31, 2002

### (10) Contributed Capital

An analysis of contributed capital follows:

	<b>Contributed capital January 1, 2002</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Contributed Capital December 31, 2002</b>
Property owners	\$ 401,039	-	14,122	386,917
City of Harahan	1,751,445	-	55,029	1,696,416
Federal grants	350,661	-	14,510	336,151
	<u>\$ 2,503,145</u>	<u>-</u>	<u>83,661</u>	<u>2,419,484</u>

In accordance with Governmental Accounting Standards Board No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the City ceased crediting capital contributions for property and equipment to contributed capital. As they occur, such amounts are presented as capital contributions in the Statement of Revenues, Expenses and Changes in Retained Earnings.

### (11) Contingencies

The City is a defendant in several lawsuits. Damages are generally covered by insurance less deductible for risks retained by the City. The City does not expect any material adverse impact relating to these suits in excess of amounts currently accrued.

### (12) Upcoming Pronouncements

The City will be adopting GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, in the 2004 fiscal year. The financial statements presentation will change and adjustments are anticipated.

## CITY OF HARRAHAN, LOUISIANA

## Combining Balance Sheets

## Debt Service Funds

December 31, 2002

	<u>1999 Sinking</u>	<u>1999 Reserve</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 36,797	291,831	328,628
Accounts receivable	<u>139,118</u>	<u>-</u>	<u>139,118</u>
	<u>\$ 175,915</u>	<u>291,831</u>	<u>467,746</u>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Payables -			
Due to other funds	\$ <u>125,878</u>	<u>573</u>	<u>126,451</u>
Total liabilities	<u>125,878</u>	<u>573</u>	<u>126,451</u>
Fund equity - fund balance -			
Reserved for debt service	<u>50,037</u>	<u>291,258</u>	<u>341,295</u>
Total fund equity	<u>50,037</u>	<u>291,258</u>	<u>341,295</u>
	<u>\$ 175,915</u>	<u>291,831</u>	<u>467,746</u>

See accompanying independent auditors' report.

## CITY OF HARRAHAN, LOUISIANA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## Debt Service Funds

Year ended December 31, 2002

	<u>1999 Sinking</u>	<u>1999 Reserve</u>	<u>Total</u>
Revenues -			
Interest income	\$ 629	4,331	4,960
Total revenues	<u>629</u>	<u>4,331</u>	<u>4,960</u>
Expenditures:			
Debt service:			
Redemption of bonds	85,000	-	85,000
Interest and fiscal charges	<u>205,146</u>	<u>-</u>	<u>205,146</u>
Total expenditures	<u>290,146</u>	<u>-</u>	<u>290,146</u>
Excess (deficiency) of revenues over expenditures	<u>(289,517)</u>	<u>4,331</u>	<u>(285,186)</u>
Other financing sources (uses):			
Operating transfers in	548,524	-	548,524
Operating transfers out	<u>(209,017)</u>	<u>(761)</u>	<u>(209,778)</u>
Total other financing sources (uses)	<u>339,507</u>	<u>(761)</u>	<u>338,746</u>
Excess of revenues and other sources over expenditures and other uses	49,990	3,570	53,560
Fund balances at beginning of year	<u>47</u>	<u>287,688</u>	<u>287,735</u>
Fund balances at end of year	\$ <u><u>50,037</u></u>	<u><u>291,258</u></u>	<u><u>341,295</u></u>

See accompanying independent auditors' report.

## CITY OF HARAHAN, LOUISIANA

## Combining Balance Sheets

## Capital Projects Funds

December 31, 2002

	<u>1989 Capital Projects</u>	<u>1999 Capital Projects</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 68,562	18,503	87,065
Due from other funds	<u>25,651</u>	<u>-</u>	<u>25,651</u>
	<u>\$ 94,213</u>	<u>18,503</u>	<u>112,716</u>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Payables -			
Trade and other	\$ <u>1,198</u>	<u>-</u>	<u>1,198</u>
Total liabilities	<u>1,198</u>	<u>-</u>	<u>1,198</u>
Fund equity - fund balance -			
Designated for capital projects	<u>93,015</u>	<u>18,503</u>	<u>111,518</u>
Total fund equity	<u>93,015</u>	<u>18,503</u>	<u>111,518</u>
	<u>\$ 94,213</u>	<u>18,503</u>	<u>112,716</u>

See accompanying independent auditors' report.

## CITY OF HARRAHAN, LOUISIANA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## Capital Projects Funds

Year ended December 31, 2002

	1989 Capital Projects	1999 Capital Projects	Total
Revenues -			
Interest income	\$ 1,971	1,002	2,973
Expenditures -			
Capital outlay	81,560	125,079	206,639
Deficiency of revenues over expenditures	(79,589)	(124,077)	(203,666)
Other financing sources (uses) -			
Operating transfers in	137,170	-	137,170
Operating transfers out	(68,000)	-	(68,000)
Total other financing sources (uses)	69,170	-	69,170
Deficiency of revenues and other sources over expenditures	(10,419)	(124,077)	(134,496)
Fund balances at beginning of year	103,434	142,580	246,014
Fund balances at end of year	\$ 93,015	18,503	111,518

See accompanying independent auditors' report.

**CITY OF HARRAHAN, LOUISIANA**

**Schedule of Compensation Paid to Councilmen**

Year ended December 31, 2002

Peter Dale	\$ 5,933
Paul Johnston	6,456
Kerry Lauricella	6,120
Bryan St. Cyr	6,120
Tim Walker	6,120
Louis Butler	<u>510</u>
	\$ <u>31,259</u>

See accompanying independent auditors' report.



## Postlethwaite & Netterville

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### **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and City Council  
City of Harahan, Louisiana:

We have audited the financial statements of City of Harahan, Louisiana (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated May 6, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards* except as disclosed in the attached Appendix A.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we reported to management of the City in a separate letter dated May 6, 2003.

This report is intended solely for the information and use of the Council, management and the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Boothwaite & Nettville*

Metairie, Louisiana  
May 6, 2003

**City of Harahan, Louisiana**  
**Schedule of Findings and Questioned Costs**

December 31, 2002

**Finding 02-1 – Public Bid Requirements**

*Criteria:* The Revised Statutes (LA. Rev. Stat. 8:2212) require the contracts in excess of \$15,000 shall be advertised and let by contract to the lowest responsible bidder; no public work shall be done and no such purchase shall be made except as provided in the public bid statutes. In addition, purchases between \$7,500 and \$15,000 shall be made by obtaining no less than three telephone or facsimile quotations.

*Condition:* During 2002, the City acquired police equipment for \$18,696, fire equipment for \$18,074, sewer equipment for \$18,630, and concrete work for \$21,619. These purchases were executed without compliance with the public bid requirements.

*Questioned Cost:* None.

*Effect:* Property was acquired by the City without public bid.

*Recommendation:* City officials should comply with the public bid requirements.

*Management's Response:* The City will require all departments to follow the public bid law when making purchases. This requirement will be controlled through the purchase order procedure.

**Finding 02-2 – Budget**

*Criteria:* The State of Louisiana (LA Rev Stat. 39:1310) requires a budget amendment to be adopted when the total actual expenditures and other uses, within a fund, exceed the total budgeted expenditures and other uses by five percent or more.

*Condition:* For the year ended December 31, 2002, the general fund of the City had actual expenditures greater than budgeted expenditures by \$618,379 or 18%. The budget was not amended prior to December 31, 2002 to authorize the additional expenditures. Subsequent to year-end, a budget amendment was adopted to ratify the amounts expended.

*Questioned Cost:* None.

*Effect:* Actual expenditures exceeded budgeted expenditures by \$618,379 or 18%.

*Recommendation:* City officials should review the actual revenue and expenditure activity throughout the year to monitor compliance with the 5% variance requirements of state budget law.

*Management's Response:* City Officials have implemented a line item budget for each department. Purchases are monitored on a daily basis. The Mayor and Council are furnished copies of revenues and expenditures each month. Budget amendments will be made when a department has exceeded the 5% variance requirements.

**City of Harahan, Louisiana**

**Schedule of Prior Year Findings and Questioned Costs**

December 31, 2002

**Finding 01-1 – Long Term Obligations/Public Bid Requirements**

*Criteria:* As reported last year, State of Louisiana Revised Statutes requires that bonds and other obligations issued by a political subdivision of the State obtain written approval of the State of Louisiana Bond Commission before issuing the obligation (LA. Constitution Articles 7 & 8). In addition, the Revised Statutes (LA. Rev. Stat. 8:2212) require the contracts in excess of \$15,000 shall be advertised and let by contract to the lowest responsible bidder; no public work shall be done and no such purchase shall be made except as provided in the public bid statutes.

*Condition:* On July 15, 2000, the City entered into an agreement amending a prior contract with a company to operate, maintain, and manage the City's wastewater treatment and collection facilities. The company was required to provide "R & R Capital Improvements"; the City was obligated to pay the company 10 annual installments of \$50,000 beginning June 30, 2001. The contract was executed without Bond Commission Approval and without public bid for the improvements.

*Questioned Cost:* The City paid \$191,122 in 2001.

*Effect:* Property acquired by the City was acquired without public bid and an obligation was incurred without Bond Commission Approval.

*Recommendation:* City officials should provide a legal review before approving large transactions to ensure compliance with state law requirements.

*Management's Response:* The City agrees with the recommendation and will comply with the bid laws and Bond Commission approval before any major projects are performed.

*Status:* The City will follow the requirements placed upon it by the Bond commission and the Public Bid law.

**Finding 01-2 – Collateral Testwork**

*Criteria:* The State of Louisiana (LA Rev Stat. 39:1225) requires that except for any funds secured by the FDIC, one hundred percent of the funds on deposit at each depositing authority (bank) be secured by the depositing authority at all times.

*Condition:* On December 6, 2001, Regions Bank reduced the collateral it was holding for the City. In addition, the City received an increased amount of cash in the final two weeks of December 2001 due to the payments received on property tax bills mailed out in the first week of December 2001.

*Questioned Cost:* None.

*Effect:* At December 31, 2001, the City has \$276,836 of unsecured deposits with Regions Bank.

**City of Harahan, Louisiana**

**Schedule of Prior Year Findings and Questioned Costs**

December 31, 2002

**Finding 01-2 – Collateral Testwork (continued)**

*Recommendation:* City officials should monitor the amount of security on deposit with Regions Bank on a daily basis.

*Management's Response:* The City agrees with the recommendation. Regions Bank set up a new computerized system in February 2002 to prevent this problem from happening again. The City is fully collateralized and will monitor this closely.

*Status:* The cash funds of the City have been fully collateralized since February 2002.

**Finding 01-3 – Reserve Fund Cash Requirement**

*Criteria:* The bond indenture agreement requires the City to maintain in the reserve fund a cash balance equal to the combined principal and interest payments for any succeeding bond year. The cash balance required at December 31, 2001 was \$291,259.

*Condition:* At December 31, 2001, the cash balance in the Reserve Fund was \$287,688.

*Questioned Cost:* None

*Effect:* The cash balance in the Reserve Fund was not sufficient to fund the annual principal and interest payments of the debt service fund.

*Recommendation:* The City should maintain a cash balance in the reserve fund in the amount required by the bond indenture agreement.

*Management's Response:* The problem has been corrected and the City now maintains a balance of \$291,259 in the Reserve Fund. The City is in compliance with the bond requirement.

*Status:* The City resolved the issue during 2002. At December 31, 2002, the reserve fund cash balance exceeds required levels.



## Postlethwaite & Netterville

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May 6, 2003

The City Council  
City of Harahan, Louisiana:

Ladies and Gentlemen:

We have audited the financial statements of the City of Harahan (the City) as of and for the year ended December 31, 2002 and have issued our report thereon dated May 6, 2003. In planning and performing our audit of the financial statements of the City, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on financial statements and not to provide assurance on internal control. We have not considered the internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for discussion. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are listed in Appendix A to this report.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. We aim, however, to use our knowledge of the City's organization gained during our work to make comments and suggestions that we hope will be useful to you. The status of comments from the prior years is included in Appendix B. Certain of these comments are in progress.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Council, management and the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A stylized, handwritten signature in cursive script that reads 'Postlethwaite &amp; Netterville'.

**CURRENT YEAR COMMENTS**

No comments for the current year.

## STATUS OF PRIOR YEAR COMMENTS

### **Item 2001.1: Monitoring of Sewer Fund Repairs and Maintenance Expenditures**

The City is making payment on the PSG repairs and maintenance invoices without documentation of the review by the City's maintenance director, who is familiar with the work being performed by PSG. In addition, the supporting documentation attached to the invoice from PSG is not subjected to the same control procedures as other invoices paid by the City.

The City should improve documentation of the monitoring of the repairs and maintenance expenditures and approval of the repairs and maintenance invoices from PSG. The City should also request the actual invoices paid by PSG as additional supporting documentation for payment of the repairs and maintenance invoices by the City.

#### **Management Response:**

The Mayor and Maintenance Director work very closely with the PSG Plant Manager with respect to repairs and maintenance for sewer related items. The PSG Plant Manager obtains approval from the Mayor for minor/major repair items.

The City will request from PSG actual copies of invoices to support the recap of repairs and maintenance billed to the City. The City's Maintenance Director and Comptroller will review them carefully to ensure the work was approved and performed properly.

#### **Status:**

The City is implementing a schedule of invoicing from PSG. The plant manager will not make major/minor repairs without permission from the Mayor.

### **Item 2001.2: Timeliness of Sewer Fund Repairs and Maintenance Invoices**

Repairs and maintenance to the Sewer facilities are provided by PSG, under the terms of PSG's contract, and billed to the City. The invoice from PSG for the repairs and maintenance performed from March 1999 to February 2000 was not received by the City until July 2001. The invoice from PSG for the repairs and maintenance performed from March 2000 to February 2001 was not received by the City until December 2001. As of the date of this letter, the City has not received the invoice for the work performed from March 2001 to February 2002; however, the City has accrued an estimated amount.

The City should require PSG to submit the invoices in a more timely manner.

#### **Management Response:**

Per PSG, there were some internal problems in the company causing the bills not to be sent out on a timely basis. PSG is working on the problem and feels the invoices will be out in a more timely fashion.

The City will communicate to PSG that we need timely invoices.

## STATUS OF PRIOR YEAR COMMENTS

### Status:

The City is establishing a procedure where PSG will furnish copies of invoices in a timely manner.

### 2001.3: Sewer Fund Repairs and Maintenance Expenditures

The City, through its contract with PSG, performs repairs to sewer lines for businesses located within the City. The City currently bears the cost of these repairs even when some of the problems may be caused by a business.

The City should review its policies and procedures and consider requiring reimbursement from businesses for sewer line repairs resulting from their actions.

### Management response:

The City will review its policy and procedures on reimbursement of sewer repairs by businesses that caused the repair. If feasible, the City will require reimbursement from these businesses for the repairs.

### Status:

The City has reviewed its policies and procedures regarding reimbursement by businesses for sewer repairs. Reimbursement, when possible, will be required.

### Item 2001.4: Cash Flow Analysis of Sewer Fund

The Sewer fund has incurred significant repairs and maintenance expenditures during 2001 which caused a net operating loss of \$324,070. The cash balances, equity balances, and cash flows from operations as of December 31, 1999, 2000, and 2001 are indicated below:

	Cash	Equity	Cash flow from Operations
1999	\$108,555	\$2,919,288	\$4,082
2000	\$18,107	\$2,930,221	(\$45,053)
2001	\$4,304	\$2,608,961	\$33,388

At December 31, 2001, the Sewer fund has \$214,351 in accounts payable for repairs and maintenance expenditures due to PSG and US Filter.

The City should prepare a budget and cash flow projection for the Sewer fund for the next two years to determine the future cash requirements of the Sewer fund. With only \$4,304 in cash at December 31, 2001, the City should assess the cash flow requirements of the Sewer fund immediately.

**STATUS OF PRIOR YEAR COMMENTS**

**Management response:**

The City will prepare a budget and cash flow projection for the Sewer Fund for the next two years to determine its cash needs. If necessary after the analysis, fees will be increased to improve its cash flow.

**Status:**

The City is analyzing the Sewer Fund. A means to improve and increase the cash flow is being proposed.

**Item 2001.5: Budget Process**

The City does issue periodic budget updates during the year. Subsequent to year end, the City issued a final budget. To better ensure compliance with State of Louisiana Revised Statutes, we recommend that the final budget for a fiscal year be issued prior to the end of the fiscal year.

**Management response:**

The final budget for future fiscal years will be completed before year-end in order to comply with State of Louisiana Revised Statutes.

**Status:**

The City is implementing ways to complete the final budget before year end.

**Item 2001.6: Documentation of Bid Process**

The City incurs capital expenditures using vendors approved through the State of Louisiana bid process or other local governmental bid processes. When using other local governmental agency contracts, the City should maintain support for the amount paid in the file. The City should ensure that the documentation attached to the invoice includes the contract number issued by the State of Louisiana or other local governmental agency.

**Management response:**

The City will require a copy of the state contract or other local government agreement with the purchase order before an invoice is paid. A memo will be issued to all department heads.

**Status:**

The City has implemented a procedure where state contract or other local government agreements are attached to an invoice before it is paid.

## STATUS OF PRIOR YEAR COMMENTS

### Item 1999.1: Fixed Assets

The City has equipment, vehicles and building components that comprise the majority of its fixed assets. The City does not have a formal system for tracking, tagging and annually observing the existence of such items.

The City should develop a fixed asset policy that addresses the data to be monitored and recorded, the frequency of fixed asset observations and other similar requirements. In addition, the City should conduct a physical inventory of all fixed asset items and update their records. This information will be needed for the reporting change described in the following comment.

#### **Management response:**

The City engaged external assistance to perform an inventory of fixed assets, tag the assets, and develop a tracking system. This project will be complete by the end 2002.

#### **Status:**

Implemented in 2002 and will be updated yearly.

### Item 1999.2: Reporting Model Changes

After years of study and consideration of the needs of users of government financial statements, the Governmental Accounting Standards Board (GASB) issued its revolutionary new reporting model in June 1999. The new model dramatically changes the presentation of governments' external financial statements. In the GASB's view, the objective of the new model is to enhance the clarity and usefulness of government financial statements to the citizenry, oversight bodies, investors and creditors. It will substantially affect the Board's financial data accumulation and financial statement presentation processes. Some of the key aspects of the changes follow:

Management's Discussion and Analysis (MD&A) – A comprehensive MD&A will now be included as required supplementary information. The MD&A will introduce the financial statements by presenting an analysis of the government's financial performance for the year and its financial position at year-end. The MD&A will be in addition to the transmittal letter currently required for Government Finance Officers Association (GFOA) award candidates, such as your Board, but we expect that the GFOA will make changes in their requirements so as to avoid any duplication between the two documents.

Statement of Activities – Governments will now be required to use a "net program cost" format for the entity-wide statements instead of a traditional operating statement. This new format groups revenues and expenses by functional categories (such as public safety, public works, etc.). The purpose of the new statement is to inform readers about the cost of specific functions and the extent to which they are financed with program revenues or general revenues of the government (such as tax revenues). Governments will have the option of reporting both direct and indirect program costs.

**STATUS OF PRIOR YEAR COMMENTS**

Capital Contributions – Capital contributions to enterprise funds would be reported as nonoperating revenues (rather than direct additions to equity); governments would no longer report contributed capital equity accounts. This change would recognize all contributed resources-including grants, tap fees, and developer contributions-consistently in enterprise fund operating statements. It also would eliminate the confusion caused by reporting negative retained earnings (offset) by large contributed capital balances.

The effective date of the new pronouncement will require implementation by the Board for its year ending December 31, 2004. The magnitude of these changes and the time required to prepare for implementation should not be underestimated. We recommend that the Board begin to look at its systems and processes to ensure that the required information will be available to ensure timely implementation. We recommend that the Board consider the cost of required changes to its systems and processes to ensure availability of necessary funds in its upcoming budget and also consider identifying training programs for key staff members to attend.

**Management response:**

The inventory of fixed assets is part of the compliance with GASB 34. The comptroller will use the outside auditors to help with the compliance on the Reporting Model Changes.

**Status:**

The City has completed the inventory of fixed assets during 2002. The City will use the outside auditors to assist with the Reporting Model Changes.